FIXED INCOME AND FX WEEKLY

MBSB Strategy 20 July 2026

Week Ended 17 July 2026

- The UST benchmark 10-year yield ended slightly lower last week at 4.55% (prior week: 4.56%) as investors reacted to cooler-than-expected June CPI and PPI data despite rebounding energy prices due to heightened tensions in the Middle East. The 10y-3y yield spread expanded (yield curve steepened) to +33bp (prior week: +32bp) as short-end outperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 rate hike (prior week: 1 hike) this year.
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.28% (prior week: 2.30%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. However, since mid-May this year, the more hawkish Fed rate outlook has arguably contributed to declining MTIE.
- The price of MGS benchmark issues ended the review week lower with the 3-year and 10-year yields added +0.3bp and +3.0bp to close at 3.26% and 3.65% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +39bp (prior week: +36bp) as long-end underperformed.
- MGS foreign holdings increased month-on-month to RM310b in June 2026 from RM305b in May 2026. Moreover, it increased year-on-year from RM297b in June 2025. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM11.8b. It improved from -RM12.7b registered a week ago. Moreover, it improved year-on-year from -RM16.7b a year ago.

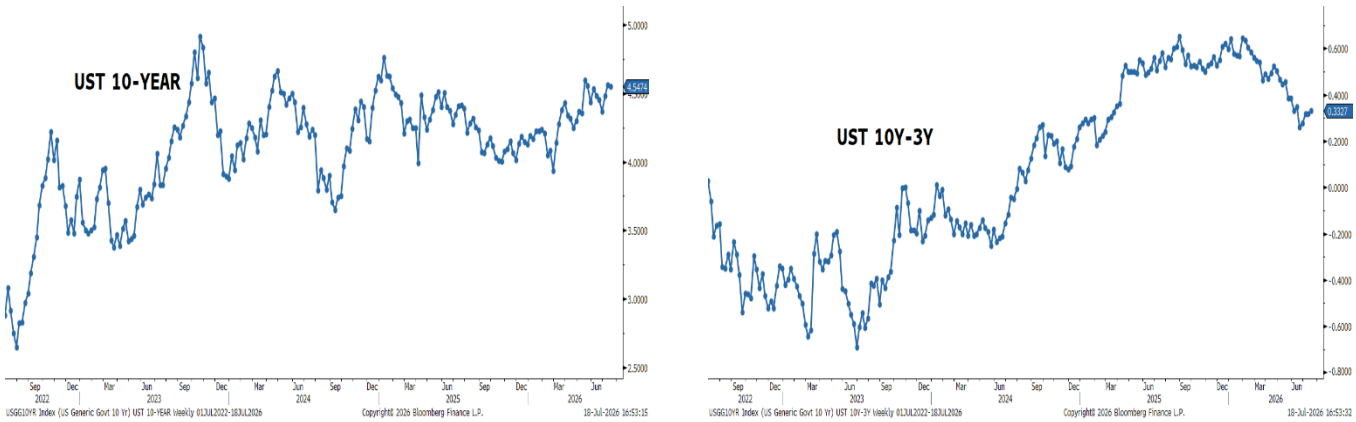
MBSB RESEARCH is a unit of MBSB INVESTMENT BANK
Kindly refer to the last page of this publication for important disclosures

20 July 2026 | **Strategy** Strategy Team | research@mbsb.com

FIXED INCOME AND FX WEEKLY REVIEW

A. FIXED INCOME

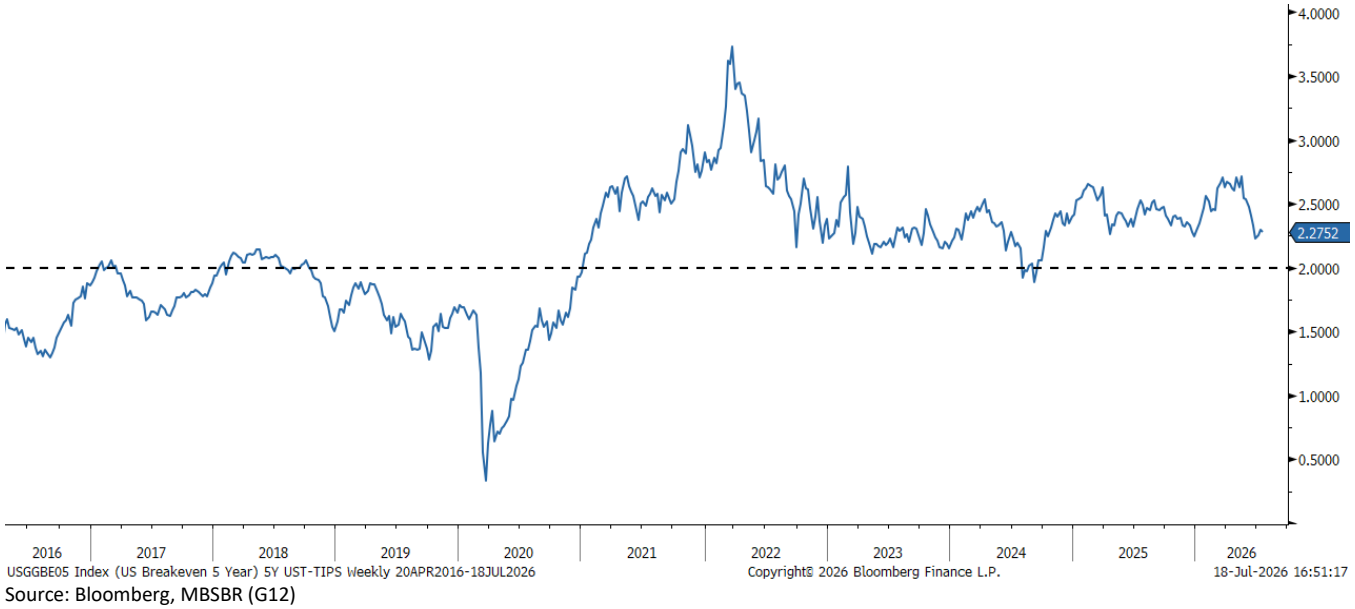
- The UST benchmark 10-year yield ended slightly lower last week at 4.55% (prior week: 4.56%) as investors reacted to cooler-than-expected June CPI and PPI data despite rebounding energy prices due to heightened tensions in the Middle East. The 10y-3y yield spread expanded (yield curve steepened) to +33bp (prior week: +32bp) as short-end outperformed. At week close, the interest rate futures market implied (as per CME FedWatch aggregated probabilities) 1 rate hike (prior week: 1 hike) this year.



Source: Bloomberg, MBSBR (G8, G9)

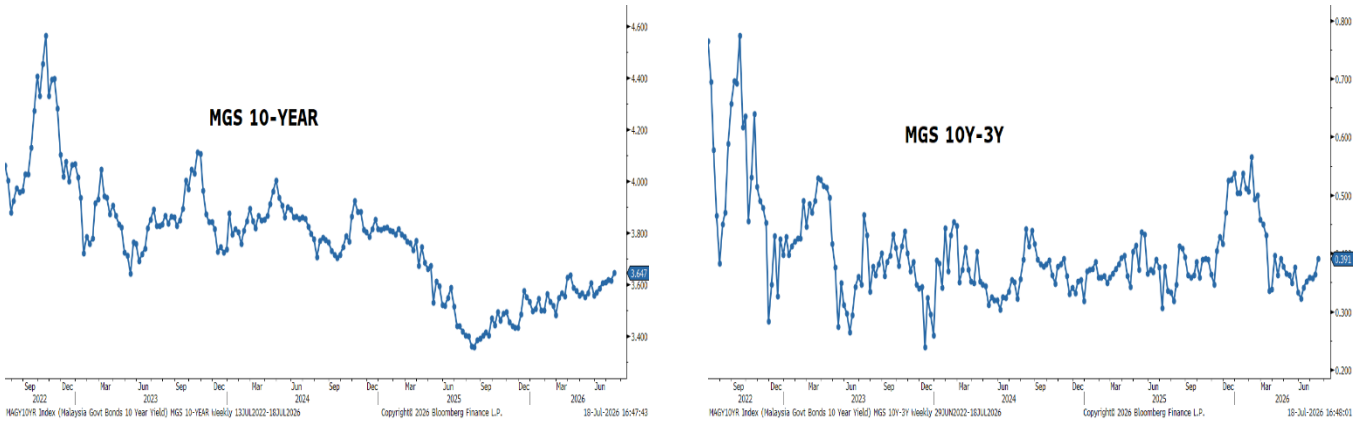
- Medium-term inflation expectation (MTIE) ended the review week lower at 2.28% (prior week: 2.30%). The MTIE has remained above the US Fed target level of 2.00% since September 2024. However, since mid-May this year, the more hawkish Fed rate outlook has arguably contributed to declining MTIE.

5Y UST-TIPS SPREAD: MEDIUM-TERM INFLATION EXPECTATION (MTIE)



Source: Bloomberg, MBSBR (G12)

- The price of MGS benchmark issues ended the review week lower with the 3-year, and 10-year yields added +0.3bp and +3.0bp to close at 3.26% and 3.65% respectively. The 10y-3y yield spread expanded (yield curve steepened) to +39bp (prior week: +36bp) as long-end underperformed.

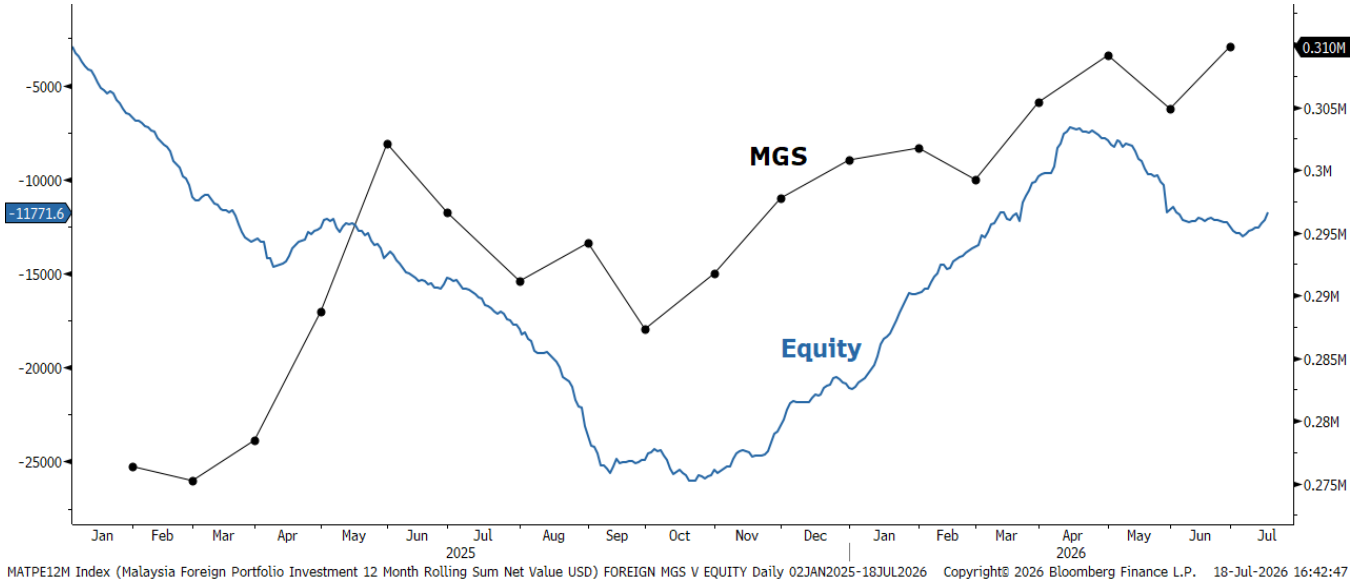


Source: Bloomberg, MBSBR (G10, G11)

- Total trading value for Government Bonds (MGS/MII) declined to RM24.5b in the review week compared to RM33.0b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues increased (lower trading breadth) to 70% (prior week: 62%) of the overall Government Bonds trade. Moreover, 7 out of the 10 most actively traded bonds saw higher yields, hence lower prices during the review week.

- The top 3 actively traded Government Bonds were dominated by issues of short residual tenor. The top 3 most actively traded were MII 4.07% 9/30/26 at RM5.8b, MII 3.227% 10/15/29 at RM2.8b, and MGS 3.502% 5/31/27 at RM2.2b.

FOREIGN: MGS HOLDINGS & 12-M ROLLING SUM NET EQUITIES TRADE



Source: Bloomberg, MBSBR (G13)

- MGS foreign holdings increased month-on-month to RM310b in June 2026 from RM305b in May 2026. Moreover, it increased year-on-year from RM297b in June 2025. On Bursa Malaysia, the 12-month rolling sum of foreign net equities trade ended the review week at -RM11.8b. It improved from -RM12.7b registered a week ago. Moreover, it improved year-on-year from -RM16.7b a year ago.

- Total trading value for Corporate Bonds (Conventional & Sukuk) increased to RM4.7b in the review week compared to RM3.1b in the prior week (based on Bloomberg data). The total trading value of the 10 most actively traded issues was unchanged at 31% (prior week: 31%) of the overall Corporate Bonds trade.

- The top 3 actively traded Corporate Bonds were dominated by issues of varied residual tenor. The top 3 most actively traded were MRCB 4.35% 7/8/33 at RM320m, Danainfra Nasional 4.78% 10/18/41 at RM170m, and Danum Capital 3.31% 9/8/28 at RM170m.

B. FOREIGN EXCHANGE

- USD weakened marginally. The US dollar weakened slightly against major currencies last week as the DXY dollar index edged lower by -0.2%wow to 100.77. The greenback initially strengthened early in the week amid heightened geopolitical tensions in the Middle East and ahead of the US inflation releases. However, the dollar later pared its gains after inflationary pressures eased and softer economic data led to reduced expectations for a more aggressive policy tightening by the Fed. Meanwhile, consumer sentiment improved, while one-year inflation expectations eased. Changes to global commodity supply following the reopening of the Strait of Hormuz and developments surrounding the US-Iran talks will remain the key focus this week. Although geopolitical shocks historically trigger a safe-haven bid for the US dollar, any structural erosion in global demand for USD assets could reshape traditional capital flows. As institutional investors diversify their portfolios, gold, the yen, and the euro will likely emerge as the primary beneficiaries of safe-haven rotation over the medium-term horizon.

- GBP and EUR strengthened. As the US dollar weakened, the pound sterling appreciated by +0.4%wow to USD1.345, supported by stronger-than-expected economic growth. Meanwhile, the euro strengthened by +0.2%wow to USD1.144, despite easing inflationary pressures.

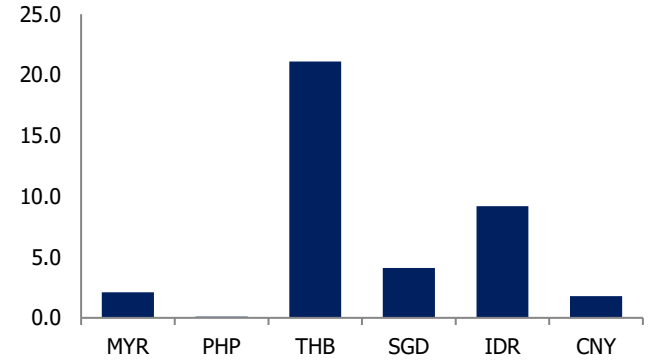
- Ringgit weakened last week. The Malaysian ringgit depreciated by -0.6%wow to RM4.097, briefly approaching the RM4.10 level. The ringgit weakened toward the end of last week despite data update showing stronger-than-expected GDP growth in 2QCY26, while inflation remained well contained. We therefore continue to expect BNM to maintain the OPR despite ongoing geopolitical uncertainty. On a broader basis, the ringgit also depreciated against the currencies of Malaysia's major trading partners, with our MBSB Trade-Weighted Ringgit Index (TWRI) declining by -0.4%wow to 99.36, mainly due to weakness against the Korean won (-2.2%wow), Indonesian rupiah (-1.6%wow) and Chinese yuan (-0.7%wow). In a separate release, foreign holdings of Malaysian government and corporate bonds recorded an outflow of -RM4.44b between 6th and 13th July (previous: -RM3.62b), reducing total foreign holdings to RM305.2b.

Currencies Changes (Week Ended 17-Jul-2026) and Quarterly Forecasts

	Close 17/07	Prev. Close 10/07	Weekly Change	Weekly Change (%)	1QCY25	2QCY25	3QCY25	4QCY25f
DXY Index	100.77	100.95	-0.187	-0.2	98.5	97.2	96.6	96.0
EURUSD	1.144	1.142	+0.002	+0.2	1.18	1.19	1.2	1.21
GBPUSD	1.345	1.340	+0.005	+0.4	1.34	1.36	1.36	1.36
USDJPY	162.4	161.7	-0.720	-0.4	152.0	150.0	14.08	147
USDMYR	4.097	4.073	-0.024	-0.6	4.04	4.13	4.05	4.03
GBPMYR	5.507	5.462	-0.045	-0.8	5.45	5.43	5.41	5.40
JPYMYR	2.522	2.518	-0.004	-0.2	2.6	2.61	2.62	2.63
MBSB TWRI	99.36	99.78	-0.423	-0.4	98.6	99.73	100.87	102.00

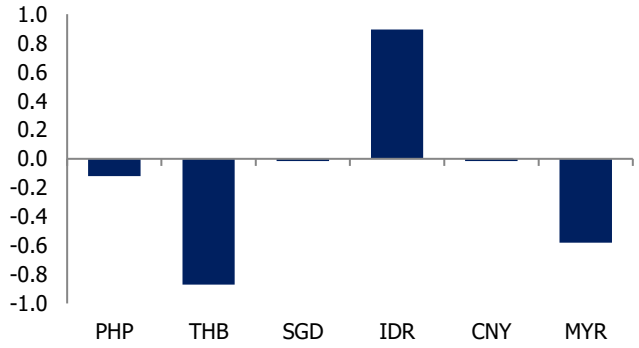
Note: "+" indicates appreciation, while "- "indicates depreciation. Quarterly figures are forecast by MBSBR. MBSB TWR.
Source: Bloomberg, MBSBR

Yield Change in 10Y Government Bonds (bps)



Source: Bloomberg; Macrobond; MBSBR

Weekly Currencies Change vs Dollar (%)



Source: Bloomberg; MBSBR

Central Bank Policy Rate by Selected Economies (%)

	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Malaysia	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Indonesia	4.75	4.75	4.75	4.75	4.75	4.75	5.25	5.75	5.75
Philippines	4.75	4.50	4.50	4.25	4.25	4.50	4.50	4.75	4.75
Thailand	1.50	1.25	1.25	1.00	1.00	1.00	1.00	1.00	1.00
Vietnam	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
South Korea	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.75
India	5.50	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Japan	0.50	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
UK	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Euro area	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.40	2.40
USA	3.75-4.00	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75

Source: Bloomberg, MBSBR

Key Economic Data Releases Last Week

Economic Indicators	Period	Actual	Previous	Consensus
United States				
ADP Employment Change Weekly	Week Ending 27th June	+21.0K	+24.25K	n.a
Initial Jobless Claims	Week Ending 11th July	208K	216K	215K
CPI Inflation (yoy)	Jun-26	+3.5	+4.2	+3.8
Core CPI Inflation (yoy)	Jun-26	+2.6	+2.9	+2.8
Producer Price Index (yoy)	Jun-26	+5.5	+6.0	+6.2
Core PPI (yoy)	Jun-26	+4.7	+4.6	+5.2
Retail Sales (yoy)	Jun-26	+6.7	+7.3	n.a
Industrial Production (yoy)	Jun-26	+1.1	+1.6	n.a
Univ. of Michigan Consumer Sentiment, Prelim.	Jul-26	54.4	49.5	51.0
Monetary Policy Decisions: Benchmark Interest rates				
Bank of Korea	Jun-26	2.50	2.75	+25bps (hike)
Bank of Canada	Jun-26	2.25	2.25	Unchanged
Malaysia				
CPI Inflation (yoy)	Jun-26	+1.9	+2.0	+2.0
GDP Growth, Advance Estimate (yoy)	2QCY26	+5.8	+5.4	n.a

Source: Macrobond, MBSBR

C. BNM INTERNATIONAL RESERVES

- As of 30 June 2026, compared to previous fortnight, Bank Negara Malaysia's international reserves were higher at USD132.6b (15 June 2026: USD130.5b).

BNM INTERNATIONAL RESERVES



Source: Bloomberg, MBSBR (G14)

- The number of reserves is sufficient to finance 4.7 months of imports of goods & services and is 0.9 times total short-term external debt.

APPENDIX

WEEKLY INTEREST RATE MONITOR

Tenor	10-Jul Fri	13-Jul Mon	14-Jul Tue	15-Jul Wed	16-Jul Thu	17-Jul Fri	Change (WoW bp)
MGS							
3-Y	3.253	3.256	3.275	3.256	3.254	3.256	0.3
5-Y	3.393	3.394	3.407	3.396	3.394	3.39	-0.3
7-Y	3.533	3.543	3.548	3.546	3.544	3.552	1.9
10-Y	3.617	3.621	3.641	3.634	3.637	3.647	3
20-Y	3.926	3.94	3.95	3.935	3.965	3.946	2
RINGGIT IRS							
1-Y	3.455	3.4635	3.475	3.495	3.5	3.4875	3.25
3-Y	3.49	3.5	3.513	3.53	3.531	3.54	5
5-Y	3.5338	3.5475	3.555	3.5675	3.5825	3.5863	5.25
7-Y	3.6205	3.615	3.63	3.645	3.65	3.66	3.95
10-Y	3.73	3.71	3.73	3.75	3.758	3.755	2.5
KLIBOR							
1-M	3.01	3.01	3.01	3.01	3.01	3.01	0
3-M	3.45	3.45	3.45	3.45	3.45	3.45	0
UST							
3-Y	4.2426	4.3157	4.2426	4.181	4.1894	4.2148	-2.78
5-Y	4.3047	4.3758	4.3208	4.2623	4.2694	4.2785	-2.62
7-Y	4.4247	4.4938	4.45	4.3971	4.4024	4.4038	-2.09
10-Y	4.5612	4.6237	4.5894	4.5473	4.5534	4.5474	-1.38
30-Y	5.0587	5.1052	5.1041	5.0793	5.0834	5.069	1.03

Source: Bloomberg

10 MOST ACTIVELY TRADED GOVERNMENT BONDS

Name	Coupon	Maturity	10-Jul Yield	17-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIA INVESTMNT ISSUE	4.07	09/30/26	2.959	2.955	-0.4	5,750.2
MALAYSIA INVESTMNT ISSUE	3.227	10/15/29	3.265	3.285	2.0	2,846.4
MALAYSIA GOVERNMENT	3.502	05/31/27	3.081	3.078	-0.3	2,229.0
MALAYSIA GOVERNMENT	3.9	11/30/26	2.941	2.945	0.4	1,962.7
MALAYSIA GOVERNMENT	3.476	07/02/35	3.617	3.647	3.0	1,066.8
MALAYSIA INVESTMNT ISSUE	4.291	08/14/43	3.946	3.960	1.4	895.5
MALAYSIA INVESTMNT ISSUE	3.422	09/30/27	3.129	3.119	-1.0	749.0
MALAYSIA GOVERNMENT	3.237	03/15/29	3.253	3.256	0.3	555.9
MALAYSIA INVESTMNT ISSUE	3.804	10/08/31	3.419	3.427	0.8	542.1
MALAYSIA INVESTMNT ISSUE	4.467	09/15/39	3.866	3.873	0.7	495.9
TOTAL VOLUME (TOP 10)						17,093.4
TOTAL VOLUME (Overall)						24,464.3

Source: Bloomberg

10 MOST ACTIVELY TRADED CORPORATE BONDS

Name	Coupon	Maturity	10-Jul Yield	17-Jul Yield	Change (WoW bp)	Weekly Volume (RM mn)
MALAYSIAN RESOURCES CORP	4.35	07/08/33	N/A	4.328	N/A	320.0
DANAINFRA NASIONAL	4.78	10/18/41	N/A	4.019	N/A	170.0
DANUM CAPITAL BHD	3.31	09/08/28	N/A	3.558	N/A	170.0
PERBADANAN TABUNG PENDI	4.31	03/27/37	3.855	3.839	-1.6	130.0
PRASARANA MALAYSIA BHD	4.38	01/29/38	N/A	3.879	N/A	120.0
DANAINFRA NASIONAL	4.51	11/08/41	4.008	4.017	0.9	120.0
PRASARANA MALAYSIA BHD	4.53	03/10/34	3.779	3.771	-0.8	100.0
DANAINFRA NASIONAL	5	11/26/38	3.928	3.917	-1.1	100.0
DANAINFRA NASIONAL	4.08	03/30/29	N/A	3.428	N/A	100.0
DANAINFRA NASIONAL	4.53	04/07/37	3.859	3.860	0.1	100.0
TOTAL VOLUME (TOP 10)						1,430.0
TOTAL VOLUME (Overall)						4,681.3

Source: Bloomberg

MBSB RESEARCH is part of MBSB Investment Bank Berhad
(197501002077 (23878-X)). (Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad. The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report. This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

MBSB INVESTMENT BANK BERHAD: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock prices are expected to *rise* by >10% within 3 months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock prices are expected to *fall* by >10% within 3 months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell